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TAGS: [EAIR](#) [ECON](#) [PREL](#) [CH](#) [TW](#)
SUBJECT: TAIWAN UNCLEAR ABOUT PRC INTENTIONS WITH CCP-KMT
CHARTER FLIGHT ANNOUNCEMENT

REF: A. TAIPEI 2376

- [1](#)B. TAIPEI 2991
- [1](#)C. TAIPEI 3147

CLASSIFIED BY: AIT ECONOMIC SECTION CHIEF DANIEL K. MOORE, REASON
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[1](#)1. (C) SUMMARY: TAIPEI AIRLINES ASSOCIATION CHAIRMAN TONY C.C. FAN TOLD AIT HE IS UNCERTAIN ABOUT PRC INTENTIONS IN ANNOUNCING AN AGREEMENT WITH THE KUOMINTANG (KMT) TO ROUTE CHARTER FLIGHTS DIRECTLY BETWEEN TAIWAN AND PRC AIRSPACE. FAN SAID IF THE PRC WISHES TO MAKE DIRECT ROUTES A PREREQUISITE FOR MORE FREQUENT CHARTER FLIGHTS CURRENTLY UNDER DISCUSSION, IT WOULD BE HIGHLY PROBLEMATIC. FAN WILL ATTEMPT TO LEARN MORE ABOUT PRC INTENTIONS DURING A TRIP TO BEIJING TO MEET WITH COUNTERPARTS THE LAST WEEK IN SEPTEMBER. OTHERWISE, FAN SAID INFORMAL CHARTER FLIGHT DISCUSSIONS ARE PROGRESSING, NOTING THE TWO SIDES HAD REACHED CONSENSUS ON THE DESTINATIONS AND FREQUENCY OF FLIGHTS. HE BELIEVES AN AGREEMENT BY THE END OF THE YEAR IS WITHIN REACH. END SUMMARY.

PREREQUISITE OR GOAL FOR THE FUTURE?

[1](#)2. (C) IN A SEPTEMBER 14 CONVERSATION WITH AIT/T, TRANS ASIA AIRWAYS CHAIRMAN TONY C.C. FAN COMMENTED ON THE OUTCOME OF KUOMINTANG (KMT)-CHINESE COMMUNIST PARTY (CCP) DISCUSSIONS OF CHARTER FLIGHTS HELD IN BEIJING SEPTEMBER [1](#)7. AS CHAIRMAN OF TAA, FAN ACTS AS THE TAIWAN AUTHORITIES MAIN CONTACT WITH THE PRC FOR INFORMAL CHARTER FLIGHT DISCUSSIONS. ON SEPTEMBER 11, KMT LEGISLATOR TSENG YUAN-CHUAN ANNOUNCED THAT THE KMT AND CCP HAD AGREED THAT FUTURE CROSS-STRAIT CHARTER FLIGHTS SHOULD FLY DIRECTLY BETWEEN TAIWAN AND PRC AIRSPACE. TO DATE, THE AUTHORITIES ON BOTH SIDES HAVE REQUIRED CROSS-STRAIT CHARTER FLIGHTS PASS THROUGH HONG KONG AIRSPACE EN

ROUTE, ALTHOUGH THE FLIGHTS ARE NO LONGER REQUIRED TO ACTUALLY LAND IN HONG KONG. A DIRECT ROUTE WOULD CUT 30 MINUTES OFF FLIGHTS FROM TAIPEI TO SHANGHAI AND BEIJING.

13. (C) FAN TOLD US THAT HE HAS NO IDEA WHAT THE PRC'S INTENTIONS WERE IN REACHING THIS KIND OF AGREEMENT WITH THE KMT. IF THE PRC PLANS TO MAKE DIRECT ROUTING A PREREQUISITE FOR MORE FREQUENT PASSENGER AND CARGO CHARTER FLIGHTS, FAN SAID, THE PROPOSAL WOULD BE VERY PROBLEMATIC. THE TWO SIDES HAVE DISCUSSED THE ISSUE OF DIRECT ROUTES IN PREVIOUS CHARTER FLIGHT DISCUSSIONS, FAN NOTED, EXPLAINING THAT TAIWAN HAD REJECTED DIRECT ROUTING BETWEEN TAIWAN AND PRC AIRSPACE DUE TO FIRM OPPOSITION FROM TAIWAN'S MINISTRY OF NATIONAL DEFENSE. INSTEAD TAIWAN HAS PREVIOUSLY PROPOSED ROUTING FLIGHTS TO SHANGHAI AND BEIJING THROUGH EITHER JAPANESE OR SOUTH KOREAN AIRSPACE. CHINA HAS REJECTED TAIWAN'S PROPOSAL BECAUSE IT WOULD BOLSTER THE NOTION THAT THE FLIGHTS ARE INTERNATIONAL. ACCORDING TO FAN, IF THE PRC IS PUTTING DIRECT ROUTING ON THE TABLE ONLY AS A STATEMENT OF ITS GOALS FOR FUTURE FLIGHTS, THEN THERE SHOULD BE NO PROBLEM MOVING FORWARD IN THE CURRENT ROUND OF DISCUSSIONS ON MORE FREQUENT CHARTER FLIGHTS. HOWEVER, FAN INDICATED THAT, AS A PREREQUISITE FOR FURTHER EXPANSION OF CHARTER FLIGHTS, THE KMT-CCP PROPOSAL COULD BE A DEAL-BREAKER.

14. (C) FAN SAID THAT THE MAINLAND AFFAIRS COUNCIL (MAC) WAS ALSO PUZZLED BY THE REAL MEANING OR INTENT OF THIS LATEST PROPOSAL. REITERATING HIS OWN UNCERTAINTY, FAN TOLD US THAT HE IS PLANNING AN UNANNOUNCED TRIP TO BEIJING THE LAST WEEK OF SEPTEMBER TO MEET WITH PRC COUNTERPARTS AND TRY TO CLARIFY THEIR INTENTIONS.

OTHERWISE SIGNS OF PROGRESS

15. (C) ASIDE FROM THE LATEST AMBIGUOUS SUGGESTION FROM THE MAINLAND, FAN TOLD US THAT THE TWO SIDES HAD RESOLVED MANY OUTSTANDING ISSUES, INCLUDING THE FREQUENCY AND

DESTINATIONS OF FLIGHTS. HE BELIEVES AN OVERALL AGREEMENT OF MORE FREQUENT CHARTER FLIGHTS BY THE END OF THE YEAR IS WITHIN REACH. FAN SAID THE TWO SIDES HAD REACHED CONSENSUS THAT THERE WOULD BE TWO PRC DESTINATIONS -- SHANGHAI AND GUANGZHOU -- AND TWO TAIWAN DESTINATIONS -- TAIPEI AND KAOHSIUNG -- FOR CARGO CHARTERS. PASSENGER CHARTERS WILL ALSO SERVE BEIJING AND XIAMEN. ACCORDING TO FAN, THE TWO SIDES HAVE REACHED CONSENSUS THAT EACH SIDE WILL BE ABLE TO OPERATE 30 CARGO FLIGHTS AND 24 PASSENGER FLIGHTS PER MONTH. HE EXPECTS THAT IF THE INITIAL IMPLEMENTATION IS SUCCESSFUL, THE FREQUENCY OF THE CHARTERS WILL BE INCREASED.

TOURISM FIRST

16. (C) FAN CLARIFIED MAC CHAIRMAN JOSEPH WU'S RECENT STATEMENT THAT IF THE PRC INSISTS ON ANNOUNCING AN AGREEMENT ON TOURISM AT THE SAME TIME AS AN AGREEMENT ON CHARTER FLIGHTS, IT COULD DELAY A TOURISM ANNOUNCEMENT. FAN SAID THAT TAIWAN INSISTS THAT EXPANSION OF CROSS-STRAIT TOURISM SHOULD PRECEDE EXPANSION OF CHARTER FLIGHTS IN ORDER TO HELP OFFSET THE LOSS OF CONSUMER SPENDING IN TAIWAN THAT IS EXPECTED FROM GREATER NUMBERS OF TAIWAN VISITORS TRAVELING TO THE MAINLAND FOR SHORT TRIPS. TAIWAN, FAN EXPLAINED, INSISTS ON CONCLUDING AN AGREEMENT ON TOURISM BEFORE AN AGREEMENT ON CHARTER FLIGHTS CAN BE IMPLEMENTED. HOWEVER, FAN SAID, TAIWAN MIGHT BE WILLING TO ANNOUNCE AN AGREEMENT ON CHARTER FLIGHTS FIRST IF THE FLIGHTS WERE SET TO BEGIN AFTER IMPLEMENTATION OF AN AGREEMENT ON TOURISM.

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